

EFFECT

OF

INCORPORATED COAL COMPANIES

UPON

THE COAL TRADE OF PENNSYLVANIA,

IN REPLY TO

THE OFFICIAL STATEMENTS MADE

TO THE

LEGISLATURE OF PENNSYLVANIA,

BY THE

DELAWARE

AND THE

NORTH AMERICAN

COAL COMPANIES.

BY GEORGE TAYLOR.

POTTSVILLE:

PRINTED BY BENJAMIN BANNAN.

1834.

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The United States Gazette of the 8th of February inst. contains "Condensed Copies" of statements made to the Legislature of this Commonwealth by the Delaware Coal Company, and the report of an engineer employed by said Company to make surveys, &c. &c. the publication of which documents had been previously announced as a refutation of the facts set forth in a pamphlet entitled the "Effect of Incorporated Coal Companies upon the Anthracite Coal Trade of Pennsylvania." The grounds assumed in the pamphlet were,

1st. That the Coal Trade is a pursuit not suited to the government and capacity of a joint stock company.

2d. That the joint stock coal companies of Pennsylvania were the very worst of their kind.

3d. That such institutions are injurious, inexpedient and unnecessary.

These general positions, it is believed, were fully sustained. In the course of the treatise it was also further established:—That corporate bodies are extravagant, negligent and totally incompetent to carry on the coal trade; that our coal companies are converted into stock jobbing machines; and that in pursuing their stock speculations they injure the coal trade, inflict disappointment and loss upon consumers of coal and the public, and bring ruin upon individual coal owners; That they are, one and all deeply in debt, are losing and will continue to lose money so long as individual coal dealers continue a competition, and keep the price of coal down to the fair and proper cost of raising and sending it to market—That to make a display to cover stock speculations the said companies send large and uncalled for quantities of coal to market, and thus by one and the same operation, the coal trade may be embarrassed and depressed, individual coal dealers be ruined, the company be saddled with a large debt, and its stock holders make fortunes by the sale of stock.

It was also stated in the pamphlet that

if the operation of sending coal to market resulted in a loss to the company, a portion of the expenditure was put down as money expended in "permanent improvements," &c. &c. Is not this done in the official statements of the Companies now under consideration. In the general statement of the Delaware Coal Company, the driving of drifts, tunnels, making screens, &c. are called improvements, and are placed to the credit of the estate of the company as such. In 1832 the amount expended for these purposes was 6,348 dollars, and in 1833, 5,024 dollars, not one cent of which is charged against the coal. Yet every one knows that it ought to have been charged in the business account of the year as part of the cost of mining the coal. In place of which it is converted into an investment and set down as part of the *available estate* and property of the Company.

If, as is firmly believed, these and all other facts set forth in the pamphlet have not and cannot be refuted, justice and common honesty demand that they should not be concealed—that they should be published and that the public should not be deluded and exposed to a wide spread imposition. Exclusive of the three large Pennsylvania corporations, there have been six coal companies at different times carrying on the coal trade at the Schuylkill mines. These corporations issued and sold stock to an amount exceeding a million of dollars; the whole of which stock is not and never was intrinsically worth one cent, including the 5000 shares of stock issued by the Delaware Coal Company. Four of the six companies failed. The two remaining are the North American and the Delaware Coal Companies. The value of the stock of the former may be discovered in the pamphlet before mentioned.

The debts and loans of the Delaware Coal Company, according to their official statement, amount to 78,903 dollars. No intelligent person acquainted with the subject, believes that the lands and effects of the company would sell now or hereafter

for a sum sufficient to pay these debts and loans. The valuation of the land must not be estimated upon the calculations contained in the report of the engineer. Such estimates are matter of opinion: some persons well qualified to form such an opinion are under the impression that the land of the Company is not overstocked with coal; others, it seems, suppose it to contain millions of tons. Be this as it may. The land in question was estimated in 1829 as worth about 34,000 dollars: it has since been greatly exhausted of its coal, and has in many respects falsified the expectations then formed of it. And the fact is notorious that lands and mines more desirable and more valuable may at any time be purchased for less than two-thirds of the amount of the debts and loans. In short, that the property of the company will not satisfy its debts and loans, and that therefore there is nothing left for the stockholders—that the stock represents nothing—is based upon nothing; and is not worth one cent per share. Do the statements of the company refute these positions? Do they in any way invalidate them? Let any man of common sense examine the publications and the official statements of the Delaware and North American Coal Companies, and then say if every fact set forth in the pamphlet is not proved and corroborated by the statements of the Companies as far as they go.

It is not, however, without reluctance that I refer to the corroboration of evidence discredited by those who gave it to the public; and bearing upon its face abundant proof of its worthlessness. I use it, however, as testimony furnished by the party against himself. The public have been informed that the law required the North American and Delaware Coal Companies to furnish to the legislature abstracts of their accounts, &c. &c. "which abstract shall be verified by the oath or affirmation of the President or Secretary for the time being." That is that the representation of the affairs of the company shall be verified, or proved to be true by the oath or affirmation of the President or Secretary.—This is the plain clear meaning of the law. As a compliance with this law the Presi-

dent of the Delaware Coal Company makes oath that his statements "Exhibit a true statement of the affairs of the company as they stood on its books on the 30th of November, 1833." Is this a compliance with the law? Who is to swear to the truth of the books? Of what value is a true copy of a false statement? In a previous page of the Journals of the Senate for the present session, the President of a rail road company makes a straight, forward, honest affirmation that his "statement is true to the best of his knowledge and belief." In an adjoining page of the same Journal the President of the North American coal company makes oath that his "statements are true abstracts from the books of the company." Why this evasion of the law and of the usual form of the oath? Who kept the books? Does he know whether the entries made by him were true? Or did he enter them merely because he was directed to do so? Would a *book-keeper* have entered the whole value or proceeds of coal received from a previous year as profits of the current year, as is done in the statement of the North American coal company—and the item 12,964 dollars too. Was this an accidental omission? Was the change in the form of the oath accidental? If the officers believed their statements to be true why did they not do as the President of the rail road company did, swear to the fact. Do they expect the public to believe what they do not themselves believe, and what they will not venture to vouch for? Was the change in the form of the oath another *ruse* like the mortgages of the Delaware Company?

The contents of the "statements" are in keeping with this suspicious and discreditable parentage. The collocation of the items is a perfect specimen of mystification; and the items themselves "are past finding out." We have in the account of business done *within the year* by the Delaware company, "Interest account—balance." Balance of what? was part paid before, or does part remain to be paid.—Again in another place, "canal boats cost—deducting freight earned." When earned—where and how. Also, "wharf and contingent expenses," &c. &c. "balance." How are "the profits ac-

cruing within the year," as the law requires, to be ascertained from these balances?

The law also requires "that the amount of capital actually paid into the funds of the company" shall be shown. To meet this requisition we have the following queer statement in the account of the North American Coal Company, "9718 shares issued, equal to \$242,950, and which has been paid in—or the stock at par value in payment for the coal lands," &c. Can any body tell from this statement, how much "capital was actually paid into the funds of the company." The stock was either paid in or it was paid out, and this is all that can be made out from the words of the statement. It is very manifest, however, from the statements of both companies that they never had any funds. That they never possessed a dollar except it was borrowed money.

In the general statement of the Delaware coal company, it is said the real estate, with some improvements, cost \$180,533 37. Here seems to be an omission of \$30,000 which the company must pay to redeem the mortgage due to Sanson & Ridgway, given for original purchase money. The real estate, therefore, cost it \$210,533 27. In the pamphlet it was stated that there were mortgages upon the land, &c. This is admitted, but it seems that the giving of those mortgages was a mere *ruse* to evade the law, and to delude and elude our legislature. A praise worthy and commendable purpose, no doubt! the fact is officially announced by the Gazette as an introduction to the publication of the official statements; and cannot fail, it is presumed, to exercise a salutary influence upon the mind of the reader while examining the "statements." Consumers of coal have an interest in every measure calculated to enhance the cost of the article; and the public are interested in the question as to the amount of capital required to carry on the trade. In this view it is proper to state:—That this company paid for their land more than four times as much as it is or ever was worth; and probably about six times as much as it cost their vendor, who seems to have made a clear profit of about 175,500 dollars.—This, it is true, he paid himself

in stock of the Company, and it may be said that if the land is of small value, the stock is of yet less value. This is no doubt also true; but the public are beguiled out of their money by it, and this stock, worthless as it is, to the stockholders is a positive debt—claiming a dividend of all their profits. This is not all, it has laid upon this company an unnecessary incumbrance of 179,500 dollars, which will hang like a mill stone around its neck, and for ever disable it for doing a fair or profitable business. The yearly interest upon this incubus is 10,770 dollars, and this sum the company must yearly lose or make the consumers of coal pay it over and above the necessary and proper cost of raising and sending coal to market.

In the account of the *business* of the year 1833, the company is represented as having made a profit of \$20,027. This it will be perceived has been produced by making no charge for running levels, drifts and tunnels; no charge for wear and tear of boats; no charge for wear and tear and loss and depreciation of personal property, wagons, implements, &c.; no charge for the coal in the ground—for coal rent or coal leave. In this way the accountants show a profit upon this years business, and upon such showing the directors declared a dividend! Every practical miner knows that the loss, and wear and tear of tools, personal property, &c. are fully equal to 25 per cent per annum upon their first cost; and upon boats about 20 per cent. That the running of drifts, tunnels, air-shafts, &c. is in the end a total loss, a similar amount of expenditure having to be encountered every season: and we see that this company expended for these purposes the last year \$5,024; and the year before \$6,348. Gangways or passages must be made to the coal, and are useless and valueless after the coal is taken away. Although this must be the final result, yet as the company has, in the mean time, the use of some of these works, it shall have the credit of the utmost which can be claimed for it by supposing this advantage to be equal to one-fourth of the whole expenditure.—The next item which must be charged against the coal is the coal leave or rent—

that is, a reasonable allowance or remuneration for the depreciation or injury done to the land by taking away the coal. The amount of this item must be estimated by the cost of the mines and the quantity of coal they will furnish. Intelligent practical mining coal owners, acquainted with the mines, estimate that the Company will, at their present rate of working, exhaust their mines above the level within ten years. They may hold out a longer or only a shorter period, and the latter is by far the most probable supposition; but to avoid even the appearance of dealing harshly with the concern we may admit, however improbable, the supposition that the mines may last even 15 years. Should they last that protracted period, there must of course be a yearly depreciation or lessening of their value by taking away the coal, of one-fifteenth part; this, as they cost 210,533 dollars, amounts to \$14,035 55 yearly, or about 60 cents per ton rent for the coal taken out; a very low estimate, indeed, when the high price which the company paid for the land and the notoriously faulty character of the veins are considered. This expenditure and wasting of the capital of the company, large as it is, with all the others just mentioned, are not only not provided for, but they are suppressed and kept out of view by the mode in which this and other coal companies keep their accounts. The following table is composed of the items furnished by the official statements of the company with the addition of the charges made for the reasons and upon the principles just explained: and exhibits a true view of the business of the company, if the data furnished by itself is to be relied upon.

Statement of the business of the Delaware Coal Company, for the year 1833.

Dr.

To coal on hand from 1832, valued at	\$4,468 50
Mining, hauling, toll, freight, &c. on 23,047 tons coal	81,944 82
$\frac{1}{2}$ the cost of running drifts, tunnels, &c.	3,768 22
Wharf and other expenses in Philadelphia	8,411 50

Interest account balance	1,797 94
Wear and tear of boats valued at \$9,728—20 pr cent.	1,945 63
Loss & wear & tear on tools, wagons, personal property—25 per cent.	3,426 77
Depreciation in value of land—cost \$210,533 27—6 $\frac{2}{3}$ per cent—1.15 yearly—being at the rate of 60 cents per ton for coal taken out	14,035 55
Interest on the loan of 75,000 dollars	4,500 00
	\$124,298 63

Cr.

By sale &c. of Coal	\$106,688 91
Coal on hand in Philadelphia and on the way	11,329 50
	\$118,018 41
Loss on the business of the season	6,280 52
	\$124,298 93

This is the way in which an individual coal owner would estimate his years work; and it is the true representation of the business of the company. Thus then in place of the company having made a profit of \$20,027, it has incurred a loss of \$6,280; and by superadding dividends of 12 per cent. amounting to \$17,970, (the half yearly dividend being stated at 8,985 dollars,) it has diminished and impaired its capital or estate 24,250 dollars. It may perhaps be asserted by the company that the wear and tear of boats, personal property, &c. are included in the charges for mining, hauling, freight, &c. The probability of this being the fact, may be estimated by remarking that the mining and hauling is put down at 111 cents and the freight at 119 cents per ton. But suppose the company to get its work done cheaper than any other coal owner, and that those charges do include wear and tear, &c. of boats and personal property, there are yet omissions in the account of the company of running drifts and tunnels, coal rent and interest upon loans, in all amounting to \$22,303. If these omissions were occasioned by want

of judgment and ignorance of the facts and merits of the trade, it is pretty substantial evidence of the incapacity of corporate bodies to transact business of the kind; if, however, they proceeded from design, and the omissions were intentionally made, the stockholders and the public may place their own construction upon the proceeding.

The statement furnished to the legislature by the North American coal company, are quite as imperfect and objectionable as those of the Delaware company. No allowance is made for coal in the ground. No allowance for the diminished value of boats, or for loss, wear and tear of tools, wagons, personal property, &c. No allowance for the coal received from 1832, valued at 12,964 dollars.

The following are some of the omissions made in the statements of this company.

To coal on hand from 1832,	3,394 tons,	
valued at		\$12,964 00
Wastage on 22,404 tons, land-		
ing and trans-shipping—5		
per cent.	4,900 00	
Wear and tear, and loss of		
wagons, &c. probably	1,000 00	
Depreciation in the value of		
boats, worth say 5000 dollars		
—20 per cent per annum	1,250 00	
Depreciation in value of land,		
which cost say \$230,000, at		
least 60 cents per ton on the		
coal taken out, 22,404 tons	13,442 00	
Amount of charges omitted		
by the Company	33,556 00	
Amount of charges as stated		
by the company	105,736 00	
Total amount of cost	139,292 00	
Amount of sale and estimate		
made by the Company	123,253 71	
Lost on the years operations	\$16,038 29	

This amount may be increased by losses on the consignments and the 8029 tons estimated on the wharf may fall short; there are also other charges not inserted in the above statement for want of precise data. Thus, in place of the Company having made a profit of \$17,517, as claimed in its statements, it has actually sustained a loss of at least \$16,038. Showing an error in the accounts of the company for the year, of 33,566 dollars.

Enough has perhaps been said in exemplification of the character and present condition of the companies. What will these be at any given time hereafter? When will their mines fail? When will the companies fail? Are questions in which both creditors and stockholders have a deep interest. We have supposed the mines may possibly last 15 years. A Coal Company will last so long as it can borrow money or sell additional stock, &c. &c. to cover its yearly losses. If it can borrow \$10,000 to \$15,000 a year, and its creditors will permit it to sink a yearly portion of its capital, equal to the depreciation in value of the mines by taking away the coal, it may go on making dividends, &c. &c. until the mines are exhausted. But when they fail there will be a reckoning without assets; the whole concern will be resolved into its original elements. Creditors and stockholders will be brethren in affliction. The capital of the company will vanish and be converted into denuded and gutted hills, rocky ridges and sterile plains, rendered dangerous by the pit falls, drifts, shafts and piles of earth and stones now called "permanent improvements." The chief question then will be as to the value of worn out mines, dilapidated tunnels and broken down drifts; and how such relics may best be apportioned amongst creditors and share holders.

